Bernie Orozco
Director
State Governmental Affairs

925 L Street, Suite 650
Sacramento, CA 95814

Ph. (916) 492-4244
Fax (916) 443-2994
borozco@sempra.com

July 14, 2006

California Energy Commission
Dockets Office, MS-4
1516 Ninth Street
Sacramento, CA 95814-5512

RE: Docket No. 06-IEP-1; Docket No. 02-REN-1038 (RPS Proceeding); 2006 Integrated Energy Policy Report Update – RPS Midcourse Review

Dear Commissioners:

In response to the joint workshop hosted by the Energy Commission and the CPUC on July 6, 2006, SDG&E submits the following comments as a supplement to our oral presentation and written materials provided at that workshop.

As noted at the July 6 workshop, SDG&E has made significant progress in achieving the goals outlined in the RPS program. SDG&E is steadily increasing the energy it receives from renewable resources since reassuming management of our customers' needs in 2003 pursuant to AB 57. In fact, the level of our renewable procurement has increased seven-fold since 2002, and we anticipate that this trend will continue. SDG&E's commitment to the RPS program is demonstrated by the following:

(1) SDG&E already has signed contracts for additional renewables that will significantly increase our share of renewables, so long as the State ensures that we have adequate infrastructure to take advantage of these renewables,
(2) SDG&E is currently processing our Request for Offers (RFO) from renewables that we issued last year, and we expect it will result in additional contracts, and
(3) The company intends to issue additional RFOs in order to continue our purchasing strategy under which we intend to bring the portion of our energy that comes from renewables beyond 20% by 2010.

Below is a table that shows the progress we have made over the past several years.

San Diego Gas & Electric Renewables

Year	MW	MWH	Percent of Sales Delivered from Renewables	Percent of Energy Under Contract from Renewables for 2010
2001	25	145,760	0.97%	0.0%
2002	25	141,026	0.99%	0.0%
2003	116	549,967	3.67%	2.6%
2004	187	677,966	4.51%	3.6%
2005	237	830,476	5.25%	11.3%
2006 (projected year-end)	244	1,046,887	6.54%	13.2% + TBD

While SDG&E makes and will continue to make every effort to achieve progress toward meeting RPS goals, it notes that the ultimate success of the RPS program will depend on a variety of factors, many of which are outside the control of the utilities. For example, as discussed at the workshop, the current lack of adequate transmission infrastructure significantly diminishes the utilities' ability to access renewable generation. The existence of obstacles to the construction of needed infrastructure will result in project delays or cancellation that could cause stagnation in the development of new renewable resources within California.

Similarly, difficulty and delay in obtaining Supplemental Energy Payment ("SEP") funds intended to spur development of new renewable resources could undermine the success of the RPS program. As SDG&E has previously noted, slow or uncertain regulatory action is the *de facto* equivalent of killing a project, and the uncertainty that it adds to the industry increases overall costs and decreases the viability of future projects. Of equal concern is the regulatory burden associated with requests for SEP funds. The CEC has, for example, included as part of its SEP fund application process, the requirement that the utilities provide detailed information concerning *all* bids received in response to the utilities' RPS request-for-offers ("RFO"), not merely those for which SEP funds are requested.[1/] SDG&E submits that this requirement is unreasonable and overbroad, and is precisely the type of regulation that will stifle growth in the development of renewable resources.

As the rationale for this requirement, the CEC states that it must "make informed and timely decisions in evaluating SEP requests."[2/] As SDG&E noted in comments filed with the CEC at the time it was considering adoption of this requirement, the CEC's reasoning implies an intent to engage in a qualitative analysis of bids received and contracts entered into by the utilities that is outside the scope of the CEC's responsibilities under the RPS program.[3/] This review is instead to be conducted by the CPUC. While the

---

[1/] CEC New Facilities Guidebook, p. 9.

[2/] *Id.*

[3/] *See*, Letter from Bernie Orozco, Director, State Governmental Affairs, Sempra Energy, dated April 17, 2006.

CEC is vested with the authority to award SEP funds, its consideration of bids and contracts is limited to its involvement in the utilities' Procurement Review Groups ("PRGs"). In addition to exceeding the scope of the CEC's responsibilities under the RPS program, the additional analysis apparently contemplated by the CEC – analysis for which no proposed standard of review has been articulated – will cause delay and uncertainty in the SEP award process, which will hamper the utilities' efforts to achieve the 20% by 2010 goal.

Accordingly, in considering the means of achieving improvements to the RPS program, SDG&E urges the CEC and CPUC to recognize and emphasize the need for new transmission infrastructure, to minimize delay and regulatory burden associated with the award of SEP funds, and to avoid duplication of review and the creation jurisdictional confusion.

Sincerely,

Bernie Orozco